Hap Seng Plantations (HAPL MK)

4Q25 Results Preview: Stronger Earnings qoq Driven By Higher CPO Production

	BUY (Maintained)
Share Price	RM2.26
Target Price	RM2.45
Upside	8.4%

Highlights

- HAPL is expected to deliver stronger 4QFY25 earnings qoq, driven by improved production with CPO output rising 24% qoq.
- We remain positive on HAPL achieving its 2026 production target, supported by increased harvested area following the company's replanting exercises.
- Maintain BUY with an unchanged target price of RM2.45.

Analysis

- **4Q25 results preview.** Hap Seng Plantations' (HAPL) 3Q25 core earnings of RM28m missed market expectations primarily due to weaker-than-expected fresh fruit bunch (FFB) production. For 4Q25, we project a sequential recovery in its core net profit to RM50m-55m (+80-100% qoq), driven by stronger output during the quarter, with both FFB and CPO production rising by 24% qoq. However, on a yoy basis, earnings may decline by 6-15%, following weaker CPO prices observed in the quarter (4Q25 average: RM4,180 per tonne vs 4Q24: RM4,790 per tonne).
- **Strong 4Q25 production growth.** HAPL delivered exceptional operational performance in 4Q25, with FFB output rising by 2% yoy and 24% qoq, mainly due to a delayed cropping pattern that extended its peak production period to Dec 25, compared to the usual peak production in October. Although output began to moderate in Jan 26 (-8% mom), production remained at an elevated level, increasing by 26% yoy, following favourable weather conditions in Sabah and sustained production momentum.
- **2026 production growth target of 9%.** Despite falling short of its 2025 output target, we remain positive on HAPL achieving its production target of 710,000-715,000 tonnes in 2026 (+9% yoy). This is to be supported by improving yields from better estate management, normalised harvesting conditions and increased mature acreage for harvest following the company's active replanting exercise.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	718.0	752.4	692.2	803.8	836.2
EBITDA	246.7	348.4	277.2	353.2	371.1
Operating profit	160.8	263.4	195.7	272.4	290.9
Net profit (rep./act.)	135.6	203.7	157.4	217.6	232.1
Net profit (adj.)	135.6	203.7	157.4	217.6	232.1
EPS	17.0	25.5	19.7	27.2	29.0
PE (x)	12.1	8.0	10.4	7.5	7.1
P/B (x)	0.8	0.8	0.7	0.7	0.6
EV/EBITDA (x)	4.9	3.5	3.8	2.6	2.0
Dividend yield (%)	3.3	6.1	4.8	6.6	7.1
Net margin (%)	18.9	27.1	22.7	27.1	27.8
Net debt/(cash) to equity(%)	(7.0)	(5.5)	(12.7)	(18.1)	(23.4)
Interest cover (x)	n.a	n.a	n.a	n.a	n.a
ROE (%)	7.1	10.0	7.6	10.1	10.3
Consensus net profit	n.a	n.a	142.1	156.4	166.8
UOBKH/Consensus (x)	n.a	n.a	1.1	1.4	1.4

Source: Hap Seng Plantations, Bloomberg, UOB Kay Hian

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Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	HAPL MK
Shares issued (m)	799.7
Market cap (RMm)	1,810.4
Market cap (US$m)	464.2
3-mth avg daily t'over (US$m)	0.1

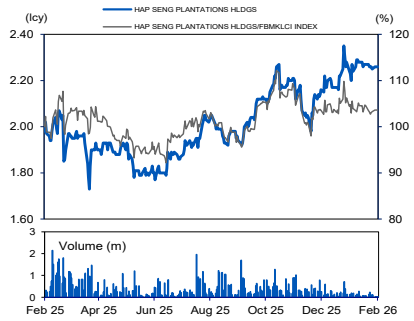
Price Performance (%)

52-week high/low				RM2.35/RM1.70
1mth	3mth	6mth	1yr	YTD
0.89	2.7	11.8	11.3	4.1

Major Shareholders

	%
Hap Seng Consolidated	69.53
Public Small Cap Fund	2.44
Amanah Saham Malaysia 2	1.05

Price Chart



Source: Bloomberg

Company Description

Pure upstream plantation company with a total landbank of 40,279 ha.

- **Anticipate stable CPO costs.** We note that HAPL has already tendered the majority of its fertiliser requirements and completed its replanting activities during 9M25. As such, operating costs are expected to trend sequentially lower in 4Q25 closer to management's guidance of RM2,200-RM2,250 per tonne (9M25: RM2,614 per tonne). Looking ahead to 1H26, we expect an increase in fertiliser cost in tandem with management guidance of a 6-7% yoy increase in prices. However, the impact on unit CPO production cost is expected to be slightly lower, as it would be partly offset by higher FFB production. Overall, we anticipate unit CPO production costs to remain broadly stable at the current level of RM2,200-RM2,300 per tonne in 1H26.

Valuation/Recommendation

- **Maintain BUY with a target price of RM2.45.** Our valuation is based on 9x 2026F PE, or -1SD to its five-year historical mean. We continue to like HAPL for its undemanding valuations with a net cash position and an appealing dividend yield of 6%.
- **Room for higher dividends.** HAPL's management estimates that capex will be stable at around RM45m-50m in FY26. Our projection of about RM250m of free cash flow in 2026-27 suggests that HAPL has an ample room for delivering more capital returns.

Earnings Revision/Risk

- No changes to earnings estimates. Our earnings forecasts are based on the following assumptions: a) CPO prices: RM4,250 in 2026 and RM4,300 in 2027; and b) FFB production growth: 9% in 2026 and 3% in 2027.

Environment, Social, Governance (ESG) Updates

Environmental

- All internal estates are Malaysia Sustainable Palm Oil, Roundtable Sustainable Palm Oil and International Sustainability & Carbon certified.
- 0.4% of the FFB purchased from their 11 third-party (independent local outgrowers and smallholders) suppliers are RSPO or MSPO certified.

Social

- HAPL covers all costs for obtaining legal work permits in Malaysia with the exception of passports, which workers must obtain themselves.

Governance

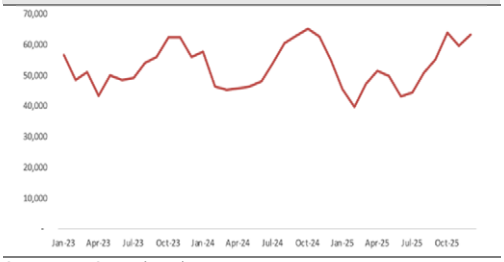
- Transparent governance along with an Anti-Bribery and Anti- Corruption Policy.

Operational Statistics

	4Q25	3Q25	4Q24
FFB (tonne)	186,597	150,394	182,827
CPO volume (tonne)	41,518	33,219	40,233
PK volume (tonne)	8,836	6,673	8,946

Source: Hap Seng Plantations

FFB Production Trend



Source: Hap Seng Plantations

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	752	692	804	836
EBITDA	348	277	353	371
Deprec. & amort.	85	82	81	80
EBIT	263	196	272	291
Total other non-operating income	3	3	3	3
Associate contributions	0	0	0	0
Net interest income/(expense)	1	1	1	1
Pre-tax profit	267	199	276	294
Tax	(63)	(43)	(59)	(63)
Minorities	0	1	1	1
Net profit	204	157	218	232
Net profit (adj.)	204	157	218	232

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	1,722	1,708	1,694	1,695
Other LT assets	0	0	1	2
Cash/ST investment	117	281	429	593
Other current assets	757	731	757	765
Total assets	2,596	2,719	2,880	3,055
ST debt	0	0	0	0
Other current liabilities	68	89	89	90
LT debt	0	0	0	0
Other LT liabilities	425	425	425	425
Shareholders' equity	2,103	2,205	2,366	2,539
Minority interest	0	0	0	0
Total liabilities & equity	2,596	2,719	2,880	3,055

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	239	269	306	330
Pre-tax profit	264	196	272	291
Tax	(63)	(43)	(59)	(63)
Deprec. & amort.	85	82	81	80
Working capital changes	(51)	20	(16)	(5)
Other operating cashflows	3	15	28	27
Investing	(166)	(26)	(49)	(49)
Capex (growth)	(67)	(67)	(67)	(67)
Capex (maintenance)	0	0	0	0
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(99)	41	18	18
Financing	(65)	(79)	(109)	(116)
Dividend payments	(54)	(79)	(109)	(116)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(11)	0	0	0
Net cash inflow (outflow)	8	164	148	165
Beginning cash & cash equivalent	136	117	281	429
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	143	281	429	593

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	46.3	40.0	44.0	44.4
Pre-tax margin	35.5	28.8	34.3	35.2
Net margin	27.1	22.7	27.1	27.8
ROA	8.1	6.1	8.2	8.5
ROE	10.0	7.6	10.1	10.3
Growth				
Turnover	4.8	(3.6)	11.9	16.5
EBITDA	41.2	12.4	43.2	50.4
Pre-tax profit	71.7	28.2	77.5	89.5
Net profit	50.2	16.1	60.5	71.2
Net profit (adj.)	50.2	(22.8)	38.3	6.7
EPS	50.2	16.1	60.5	71.2
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(5.5)	(12.7)	(18.1)	(23.4)

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